

STATE OF NEW JERSEY
Office of the Attorney General
Department of Law and Public Safety
Division of Gaming Enforcement

In the Matter of the Petition of Revel)
Entertainment Group, LLC, and Revel)
AC, Inc., for Rulings by the Director)
of the Division on the Qualification)
Status of Unit Holders, Warrant Holders)
and Second Lien Note Holders)
Pursuant to *N.J.S.A. 5:12-85.1c* and *e*)
and *N.J.A.C. 13:69C-5A.1*)

ORDER
PRN 0031201

WHEREAS, Petitioners, Revel Entertainment Group, LLC (“REG”), a casino license applicant, and Revel AC, Inc. (“Revel AC”), a holding company of REG, filed the above-referenced petition and attached exhibits on January 3, 2012, amended and supplemented by letter from counsel dated February 3, 2012 (the “Petition”), and seek rulings from the Director of the Division of Gaming Enforcement (“Division”) on the qualification status under the Casino Control Act (“Act”) of Unit Holders, Warrant Holders and Second Lien Note Holders pursuant to *N.J.S.A. 5:12-85.1* and *N.J.A.C. 13:69C-5A.1*; and,

WHEREAS, the Director of the Division is authorized by *N.J.S.A. 5:12-85.1a* to determine and designate all persons who are required to qualify in conjunction with an application for a casino license; and,

WHEREAS, REG is developing a casino hotel project called “Revel” located on the Boardwalk in Atlantic City which, as stated in the Petition, is scheduled to open on May 15, 2012, but could open sooner; and,

WHEREAS, as part of the financing for the Revel project in the approximate amount of \$1.154 billion obtained in February 2011, Revel AC issued approximately \$304.4 million in aggregate principal amount of 12% Second Lien Notes due 2018 and, in connection therewith, 152,200 Units with each Unit consisting of a Second Lien Note in the principal amount of \$2,000 and a Warrant to purchase 1,000 shares of Revel AC's common stock;

WHEREAS, a list of the current Unit Holders is attached to the Petition as Exhibit A and consists of approximately fifteen (15) financial institutions; and

WHEREAS, the Unit Holders have the rights set forth in Petition Exhibit D and have the right to designate two (2) of five (5) members of the Board of Directors of Revel AC, such members being known as "Investor Directors"; and,

WHEREAS, as set forth and represented in the Petition as amended by counsel on February 3, 2012, the designation of the Investor Directors is controlled by the majority of the Unit Holders pursuant to a Security Holders' Agreement dated as of February 17, 2011, between Revel AC and the Unit/Warrant Holders (see Petition Exhibit C) such that even if all Unit Holders with less than 5% acted in concert, the combined holdings of Unit Holders with 5% or more, estimated to be 85%, would control the selection of the Investor Directors; and,

WHEREAS, the Petition as amended by counsel on February 3, 2012, provides, as Exhibit G to the Petition, the identities of the nine (9) Unit Holders who hold 5% or more of the Units/Warrants; and,

WHEREAS, the Warrants and Second Lien Notes became separable on August 17, 2011, the Warrants are exercisable following the earlier of the third anniversary after the opening of Revel or the consummation of a Liquidity Event (as more particularly described

in paragraph 24 of the Petition), and the expiration date of the Warrants is February 17, 2021, at which point, if not previously exercised, will be mandatorily and automatically exercised; and,

WHEREAS, the Warrants are exercisable in the aggregate for 152.2 million shares of Revel AC's common stock which, after giving effect to the exercise of all of the Warrants, would represent approximately 85% to 90% of Revel AC's then-outstanding amount of common stock; and,

WHEREAS, notwithstanding the provisions of *N.J.S.A. 5:12-85.1c(4)* concerning a person's ability to elect a majority of the Board of Directors, *N.J.S.A. 5:12-85.1c(5)* provides that the Director of the Division may consider the Unit and Warrant Holders subject to qualification because of their right to designate the two (2) Investor Directors, as noted above; and,

WHEREAS, *N.J.S.A. 5:12-85.1e* provides that qualification is required for financial backers and similar others as noted in the statute holding 25% or more of indebtedness and provides further that the Director of the Division may, in his discretion, require qualification of those holding less than 25% of indebtedness, such as the Unit and Second Lien Note Holders herein; and,

WHEREAS, the Warrant Holders are not presently required to qualify under the Act because, as set forth in *N.J.S.A. 5:12-18*, the Warrants do not subject Holders thereof to qualification until exercised, which, as noted above, cannot occur until the third anniversary of Revel's opening or a Liquidity Event; and,

WHEREAS, Petitioners represent that no Unit or Warrant Holder, either as a group or a person, will hold or beneficially own Warrants exercisable for 25% or more of the

outstanding shares of common stock of Revel AC on a fully-diluted basis giving effect to exercise of all of the Warrants; and,

WHEREAS, Petitioners represent that each Second Lien Holder holds less than 25% of financial instruments or evidences of indebtedness which bear relation to the Revel casino hotel project; and,

WHEREAS, it appears the nine (9) Unit Holders holding 5% or more of the Units/Warrants as listed on amended Petition Exhibit G will execute certifications, the form of which is set forth in amended Petition Exhibit E, which, among other things, addresses the Unit Holder's lack of intention to influence the affairs of REG and its affiliates and also addresses the independence of the Investor Directors from the Unit Holders; and,

WHEREAS, it appears that the Investor Directors will execute certifications, the form of which is set forth in amended Petition Exhibit F, which, among other things, addresses the intention of the Investor Directors to perform their functions and duties as a board member of Revel AC independent of the Unit and Warrant Holders.

NOW THEREFORE, it is **ORDERED** that, based on the facts, circumstances and representations in the amended Petition and all exhibits attached thereto, upon which the Director of the Division relies, the Director does not require at this time the Unit Holders, Warrant Holders and Second Lien Note Holders to qualify under the Act in connection with REG's application for a casino license, subject to the following conditions:

1. Receipt by the Division of fully-executed certifications by the nine (9) Unit Holders listed on amended Petition Exhibit G consistent with the form of certification set forth in amended Petition Exhibit E prior to the grant of a casino license to REG;

2. Receipt by the Division of fully-executed certifications by the Investor Directors consistent with the form of certification set forth in amended Petition Exhibit F prior to an Investor Director becoming a member of Revel AC's Board of Directors;

3. Qualification under the Act of the Investor Directors;

4. Commencing July 1, 2012, and every six (6) months thereafter or when requested by the Division, submission of lists of the Unit, Warrant and Second Lien Note Holders together with the amount of such Units, Warrants and Second Lien Notes held by each;

5. In circumstances of default with regard to the Second Lien Notes, any person holding 10% or more thereof shall be required to qualify under the Act pursuant to N.J.S.A. 5:12-85.1e and c;

6. The Director reserves the right to require qualification under the Act of any Unit, Warrant or Second Lien Note Holder if the facts and circumstances change or the Director decides that qualification under the Act is warranted; and,

7. In the event a Liquidity Event occurs or the Warrants are exercised, the status of the Unit, Warrant, and Second Lien Note Holders under the Act will be reassessed and the ruling in this Order as to their status will no longer be in force and effect.

Dated:

February 9, 2012



DAVID REBUCK
DIRECTOR

Casino Licensing